Audited Financial Statements and Supplementary Information

HABITAT FOR HUMANITY OF WASHINGTON, D.C., INC.

June 30, 2017

Habitat for Humanity of Washington, D.C., Inc.

Contents

TATE
&
TRYON
A Professional Corporation
Certified Public
Accountants
and Consultants

2021 L Street, NW
Suite 400
Washington, DC
20036
Telephone
202/293-2200
Facsimile
202/293-2208
www.tatetryon.com

Independent Auditor's Report on the Financial Statements

To the Board of Directors
Habitat for Humanity of Washington, D.C., Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Washington, D.C., Inc. (HFH WDC), which comprise the statements of financial position as of June 30, 2017 and 2016, the related statements of activities, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to HFH WDC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HFH WDC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Washington, D.C., Inc. as of June 30, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tate & Tryon

Washington, DC
November 27, 2017

Habitat for Humanity of Washington, D.C., Inc.

Statements of Financial Position

June 30,	2017	2016
Assets		
Current assets		
Cash and cash equivalents	**$ 3,952,313**	$ 335,459
Accounts receivable	**631,125**	69,204
Pledges receivable	**33,673**	44,900
Grants receivable	**-**	1,385,664
Mortgages receivable, current portion	**328,638**	352,563
Prepaid expenses and other assets	**185,742**	151,666
Construction in progress	**4,058,410**	3,032,512
Total current assets	**9,189,901**	5,371,968
Mortgages receivable, net of current portion	**2,975,636**	3,148,875
Property and equipment	**20,016**	44,916
Investments in joint ventures	**404,178**	2,474,955
Total assets	**$ 12,589,731**	$ 11,040,714
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	**$ 366,550**	$ 324,797
Deposits and escrows payable	**187,329**	173,604
Notes payable, current portion	**522,897**	949,408
Total current liabilities	**1,076,776**	1,447,809
Notes payable, net of current portion	**7,337,541**	5,069,284
Total liabilities	**8,414,317**	6,517,093
Commitments and contingencies	**-**	-
Net assets		
Unrestricted	**4,008,741**	2,849,913
Temporarily restricted	**166,673**	1,673,708
Total net assets	**4,175,414**	4,523,621
Total liabilities and net assets	**$ 12,589,731**	$ 11,040,714

See notes to the financial statements.

Habitat for Humanity of Washington, D.C., Inc.

Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Home sales	$ 1,965,885	$ -	**$ 1,965,885**
Contributions	699,750	274,364	**974,114**
Grants	124,000	85,000	**209,000**
In-kind contributions	222,013		**222,013**
Gain on forgiveness of NMTC loan	728,198		**728,198**
Other income	6,289		**6,289**
	3,746,135	359,364	**4,105,499**
Net assets released from restrictions	1,866,399	(1,866,399)	**-**
Total revenue and support	5,612,534	(1,507,035)	**4,105,499**
Expense			
Program services			
Construction	3,015,146		**3,015,146**
Non construction	723,671		**723,671**
Total program services	3,738,817	-	**3,738,817**
Supporting services			
Fund raising	347,291		**347,291**
General and administrative	367,598		**367,598**
Total supporting services	714,889	-	**714,889**
Total expense	4,453,706	-	**4,453,706**
Change in net assets	1,158,828	(1,507,035)	**(348,207)**
Net assets, July 1, 2016	2,849,913	1,673,708	**4,523,621**
Net assets, June 30, 2017	$ 4,008,741	$ 166,673	**$ 4,175,414**

Habitat for Humanity of Washington, D.C., Inc.

Statement of Activities

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Home sales	$ 2,934,002	$ -	**$ 2,934,002**
Contributions	602,127	1,537,208	**2,139,335**
Grants	82,500	75,000	**157,500**
In-kind contributions	348,911		**348,911**
Other income	920		**920**
	3,968,460	1,612,208	**5,580,668**
Net assets released from restrictions	872,818	(872,818)	**-**
Total revenue and support	4,841,278	739,390	**5,580,668**
Expense			
Program services			
Construction	4,037,636		**4,037,636**
Non construction	680,411		**680,411**
Total program services	4,718,047	-	**4,718,047**
Supporting services			
Fund raising	329,255		**329,255**
General and administrative	310,846		**310,846**
Total supporting services	640,101	-	**640,101**
Total expense	5,358,148	-	**5,358,148**
Change in net assets	(516,870)	739,390	**222,520**
Net assets, July 1, 2015	3,366,783	934,318	**4,301,101**
Net assets, June 30, 2016	$ 2,849,913	$ 1,673,708	**$ 4,523,621**

Habitat for Humanity of Washington, D.C., Inc.

Statement of Functional Expense

Year Ended June 30, 2017

	Program Services			Supporting Services		Total
	Construction	Non construction	Total	Fund raising	General and administrative	
Amortization of debt issuance costs	$ 79,536	$ -	$ 79,536	$ -	$ -	$ 79,536
Audit and accounting					34,390	34,390
Construction fees	44,002	20,088	64,090		1,145	65,235
Contract services	8,522	48,968	57,490	55,226	61,573	174,289
Cost of home sales	1,925,786		1,925,786			1,925,786
Depreciation and amortization	8,460	9,960	18,420	3,960	2,520	24,900
Dues and publications	578	799	1,377	1,496	1,298	4,171
Employee benefits	104,204	99,493	203,697	39,940	25,763	269,400
Insurance	12,676	8,220	20,896	2,737	3,171	26,804
Interest	107,547		107,547			107,547
Legal	114,954		114,954			114,954
Office supplies	6,393	989	7,382	787	23,550	31,719
Other expenses	7,710	10,385	18,095	1,832	25,781	45,708
Postage	2,363	325	2,688	19,849	987	23,524
Printing and publication		17,435	17,435	20,248	873	38,556
Rent	77,313	33,838	111,151	13,099	8,732	132,982
Repairs and maintenance	15,416	6,363	21,779		1,769	23,548
Salaries	467,284	436,535	903,819	180,764	129,963	1,214,546
Software	99	2,241	2,340	2,871	65	5,276
Staff and board development	3,228	1,798	5,026	3,440	27,678	36,144
Telephone	12,443	329	12,772	127	4,161	17,060
Tithe to international affiliate		25,000	25,000			25,000
Travel and transportation	7,300	905	8,205	825	13,398	22,428
Uncollected pledges				90		90
Utilities	9,332		9,332		781	10,113
Total expense	**$ 3,015,146**	**$ 723,671**	**$ 3,738,817**	**$ 347,291**	**$ 367,598**	**$ 4,453,706**

See notes to the financial statements.

Habitat for Humanity of Washington, D.C., Inc.

Statement of Functional Expense

Year Ended June 30, 2016

	Program Services			Supporting Services		Total
	Construction	Non construction	Total	Fund raising	General and administrative	
Amortization of debt issuance costs	$ 8,598	$ -	$ 8,598	$ -	$ -	$ 8,598
Audit and accounting					26,985	26,985
Construction fees	49,760	15,768	65,528		410	65,938
Contract services	7,553	43,051	50,604	19,776	68,595	138,975
Cost of home sales	2,859,148		2,859,148			2,859,148
Depreciation and amortization	8,098	9,532	17,630	3,799	2,400	23,829
Dues and publications	650	1,908	2,558	1,208	1,588	5,354
Employee benefits	88,405	97,692	186,097	34,593	25,372	246,062
Insurance	8,930	5,187	14,117	2,013	1,322	17,452
Interest	105,371		105,371			105,371
Legal	325,112	3,799	328,911			328,911
Office supplies	2,160	272	2,432	1,715	20,785	24,932
Other expenses	67,650	7,445	75,095	21,005	5,596	101,696
Postage	1,007	340	1,347	20,301	1,132	22,780
Printing and publication		4,158	4,158	40,275	255	44,688
Rent	76,949	34,056	111,005	13,099	8,732	132,836
Repairs and maintenance	10,169		10,169		1,224	11,393
Salaries	393,335	426,113	819,448	163,890	113,997	1,097,335
Software	895	4,135	5,030	190	55	5,275
Staff and board development	5,401	6,130	11,531	6,441	20,104	38,076
Telephone	9,261	60	9,321	70	4,408	13,799
Tithe to international affiliate		20,000	20,000		51	20,051
Travel and transportation	5,029	765	5,794	880	7,835	14,509
Utilities	4,155		4,155			4,155
Total expense	**$ 4,037,636**	**$ 680,411**	**$ 4,718,047**	**$ 329,255**	**$ 310,846**	**$ 5,358,148**

See notes to the financial statements.

Habitat for Humanity of Washington, D.C., Inc.

Statements of Cash Flows

Year Ended June 30,	2017	2016
Cash flows from operating activities		
Change in net assets	**$ (348,207)**	$ 222,520
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Uncollected pledges	**90**	-
Amortization of discount on mortgages	**(214,885)**	(224,002)
Donated construction materials inventory	**(76,774)**	-
Construction in progress contributed to joint venture	**(403,678)**	-
Depreciation and amortization	**24,900**	23,829
Amortization of debt issuance costs	**79,536**	8,598
Forgiveness of DHCD loan in home sales	**(59,260)**	-
Gain on forgiveness of NMTC loan	**(728,198)**	-
Changes in assets and liabilities:		-
Accounts receivable	**(561,921)**	(68,873)
Pledges receivable	**11,137**	2,918
Grants receivable	**1,385,664**	(1,188,174)
Mortgages receivable	**412,049**	426,763
Prepaid expenses and other assets	**(34,076)**	7,545
Construction in progress	**(949,124)**	387,460
Accounts payable and accrued expenses	**41,753**	89,138
Deposits and escrows payable	**13,725**	13,050
Total adjustments	**(1,059,062)**	(521,748)
Net cash used in operating activities	**(1,407,269)**	(299,228)
Cash flows from investing activities		
Purchases of property and equipment	**-**	(18,452)
Distribution from joint venture	**13,266**	-
Cash contributed to joint venture	**(500)**	26,388
Net cash provided by investing activities	**12,766**	7,936
Cash flows from financing activities		
Proceeds from lines-of-credit	**1,050,000**	200,000
Payments on lines-of-credit	**(550,000)**	(750,000)
Proceeds from issuance of notes payable	**6,172,000**	2,082,129
Debt issuance costs	**(709,322)**	-
Principal payments on notes payable	**(951,321)**	(1,364,384)
Net cash provided by financing activities	**5,011,357**	167,745
Net increase (decrease) in cash and cash equivalents	**3,616,854**	(123,547)
Cash and cash equivalents, beginning of year	**335,459**	459,006
Cash and cash equivalents, end of year	**$ 3,952,313**	$ 335,459

Supplemental Disclosures of Cash Flows		
Donated stock liquidated to cash	**$ -**	$ 2,498
Cash paid during the year for interest	**$ 107,547**	$ 105,371

See notes to the financial statements.

A. Organization and Summary of Significant Accounting Policies

Organization: Habitat for Humanity of Washington, D.C., Inc. (HFH WDC) was incorporated in 1990 in the District of Columbia as a non-profit organization. HFH WDC is committed to eliminating poverty housing and homelessness in the nation's capital by building affordable, energy- and resource-efficient homes for people in need.

HFH WDC sells all the homes it builds to eligible low to moderate income (LMI) households and may finance the home purchase by offering zero-interest mortgages; or assist the prospective homebuyer families in obtaining conventional mortgage financing. Prospective homebuyers make a $500 down payment and contribute 300 hours of sweat equity towards the construction of their future home. Mortgage payments on HFH WDC originated loans are reinvested in a revolving fund to finance further construction and the acquisition of additional properties and building materials. In essence, HFH WDC is a construction company, a mortgage company, and a social service agency. Providing decent, affordable housing in the nation's capital requires several partners and generous funding from corporations, foundations, local government agencies, and individuals.

HFH WDC is affiliated with, but is not controlled by, Habitat for Humanity International, Inc. (the international affiliate), which is headquartered in Americus, GA. The international affiliate conducts projects worldwide and is a resource center for local affiliates such as HFH WDC. HFH WDC pays an annual tithe to the international affiliate.

HFH WDC formed Mission First Ivy City, LLC (MFIC LLC) in July 2010 in order to conduct feasibility studies and perform general due diligence with respect to the Ivy City construction projects. HFH WDC has a 90.9% ownership interest in MFIC LLC but HFH WDC has made no capital contributions and, since its formation, MFIC LLC has been financially dormant. HFH WDC is in the process of formally and legally dissolving MFIC LLC.

Income taxes: HFH WDC is exempt from payment of income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code.

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. Revenue, other than contributions, is recognized when earned and expense when the obligation is incurred.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

Accounts receivable: Accounts receivable primarily consisted of amounts due in relation to home sales (2017) or Ivy City construction (2016). HFH WDC's management periodically reviews the status of all accounts receivable balances for collectability. Each balance is assessed based on management's knowledge of the customer, HFH WDC's relationship with the customer, and the age of the receivable balance. As a result of these reviews, customer balances deemed to be uncollectible are charged directly to bad debt expense. Accounts receivable balances were deemed to be collectible and no bad debt expense was recorded as of and for the years ended June 30, 2017 and 2016. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for bad debts had been recorded.

A. Organization and Summary of Significant Accounting Policies – Continued

Pledges receivable: Pledges receivable are unconditional promises to give and primarily consisted of annual gifts from donors which are passed-through a third party (America's Charities in 2017 and United Way of the National Capital Area in 2016). Management's policy is to record the contributions net of an estimated write-off for doubtful pledges equal to a specified percentage of the pledges reported by the third party. The estimated write-off was 15% and 25% for the years June 30, 2017 and 2016, respectively. In addition, management periodically reviews the status of outstanding pledges receivable for collectability. Each balance is assessed based on management's knowledge of and relationship with the donor and the age of the pledge. As a result of these reviews, balances deemed to be uncollectible are charged directly to uncollected pledges which totaled $90 and $0 for the years ended June 30, 2017 and 2016, respectively. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for doubtful pledges had been recorded.

Prepaid expenses and other assets: Prepaid expenses and other assets includes deferred costs which will be expensed in future years and donated construction materials inventory (see Note I for additional details related to in-kind contributions).

Presentation of debt issuance costs: In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as deferred charge assets, separate from the related debt liability. ASU 2015-03 requires that debt issuance costs be presented as a deduction from the carrying amount of the related note payable, which is consistent with the presentation of a discount on a debt obligation. ASU 2015-03 does not change the recognition and measurement requirements for debt issuance costs. The adoption of ASU 2015-03 in the accompanying statements of financial position resulted in a reclassification of 2016 amounts previously reported. In order to present comparative financial statements, unamortized debt issuance costs of $61,173 at June 30, 2016 were reclassified from assets to liabilities and have been presented as a reduction from notes payable. Other than this prior year reclassification, the adoption of ASU 2015-03 did not have an impact on net assets.

Home sales and cost of home sales: When home sales occur, the revenue is recorded and the related previously capitalized construction in progress is recognized as cost of home sales expense in the year of the sale. In general, home sales revenue is lower than cost of home sales expense and, therefore, HFH WDC subsidizes this difference through grants and contributions.

Contributions and grants: Contributions and grants are recognized when unconditionally promised to or received by HFH WDC. Contributions and grants are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of any donor restrictions. Specifically, gifts of cash for the acquisition of long-lived assets are recorded as temporarily restricted and promises to give are recorded within temporarily restricted due to implied time restrictions. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when the time restrictions expire or when the purpose restrictions are met.

Functional allocation of expense: The costs of providing program and supporting services activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.

B. Cash and Cash Equivalents

For financial statement purposes, HFH WDC considers demand deposits and money market accounts to be cash and cash equivalents. HFH WDC maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss. However, HFH WDC has not experienced any such losses in the past, and does not believe it is exposed to any significant financial risk on these balances as a result of its credit risk strategy which includes maintaining several demand accounts with different banks.

Cash and cash equivalents consisted of the following at June 30,:

	2017	2016
Undesignated - operating	$ 3,701,699	$ 63,440
Designated		
Certificate of deposit	250,000	260,000
New Markets Tax Credit (NMTC) programs	614	12,019
Subtotal designated	250,614	272,019
	$ 3,952,313	**$ 335,459**

C. Grants Receivable

Grants receivable may include both contributions and exchange transactions. Management periodically reviews the status of all grants receivable for collectability. Each balance is assessed based on management's knowledge of and relationship with the donor and the age of the receivable balance. Grants receivable were deemed to be collectible and no bad debt expense was recorded as of and for the years ended June 30, 2017 and 2016. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for doubtful grants had been recorded.

Grants receivable consisted of the following at June 30, 2016:

Contributions receivable	$ 1,293,808
Exchange transactions receivable	91,856
	$ 1,385,664

Conditional contribution receivable: During the year ended June 30, 2016, HFH WDC signed an agreement with a construction company indicating that HFH WDC would be provided with a contribution of up to $1,400,000 in the aggregate, which was to be used for the acquisition, development, and construction of thirteen units of affordable residential housing. Under the terms of the agreement, HFH WDC was required to purchase the parcels of land and build the thirteen units in order to fulfill the condition described in the agreement and each unit completed was worth $107,692. During the year ended June 30, 2016, acquisition of twelve units was completed and a contribution receivable totaling $1,292,308 was recorded at June 30, 2016. HFH WDC completed construction of the remaining unit and received $107,692 during the year ended June 30, 2017.

D. Mortgages Receivable

Mortgages receivable consist of non-interest bearing promissory notes ranging in amounts from $5,000 to $142,673. HFH WDC outsources the administration, servicing, and collection of its mortgage receivables to a third-party service organization. Monthly mortgage payments range from $42 to $476, and maturities range from 2018 to 2055. The discount on mortgages receivable is determined using imputed interest rates (discount rates range from 6% to 9%). Amortization of the discount is included as a reduction of home sales revenue and totaled $214,885 and $224,002 for the years ended June 30, 2017 and 2016, respectively. Because the mortgages are secured by the deeds of trust on the respective properties, management believes that no allowance for doubtful mortgages is necessary and no bad debt has been recorded as of and for the years ended June 30, 2017 and 2016.

Mortgages receivable consisted of the following at June 30,:

	2017	2016
Mortgages receivable	$ 5,042,682	$ 5,443,316
Less unamortized discount to net present value	(1,738,408)	(1,941,878)
	$ 3,304,274	**$ 3,501,438**

Collections of payments on mortgages receivable are expected to be as follows:

Year Ending June 30,	Amount
2018	$ 328,638
2019	327,298
2020	326,349
2021	317,910
2022	310,143
Thereafter	3,432,344
	$ 5,042,682

E. Property and Equipment

Construction in progress: Costs associated with the acquisition, development, and construction of a project are capitalized. Such costs may include (1) pre-acquisition costs such as land acquisition or improvement; (2) infrastructure development or construction costs such as equipment rental, construction materials, or subcontractors; and (3) other costs such as interest, insurance, or construction benefits. While construction projects may span several years, most of the individual units included in a project and recorded within construction in progress are expected to be completed and sold during the year ending June 30, 2018.

Construction in progress consisted of the following at June 30,:

	2017	2016
Cental Place - IZ	$ 1,902,655	$ -
28th Place	1,062,594	275,322
60th Street	358,723	598,120
46th Street	318,041	612,361
1720 Capitol Avenue	229,779	-
Skyland Terrace	100,601	5,920
Donated inventory	86,017	9,243
Ivy City III	-	1,531,546
	$ 4,058,410	**$ 3,032,512**

Property and equipment: Acquisitions of property and equipment greater than $2,500 and all expenditures for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized at cost. Property and equipment, other than donated property, is stated at cost. Donated property is valued at fair market value at the date of the gift. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets: furniture and equipment – 3 to 5 years; software – 5 years; and vehicles – 3 to 7 years. Amortization of leasehold improvements is calculated using the straight-line method over the lesser of the remaining term of the office lease or the estimated useful life of the improvements.

Property and equipment consisted of the following at June 30,:

	2017	2016
Furniture and equipment	$ 83,276	$ 83,276
Software	71,522	71,522
Vehicles	69,809	69,809
Leasehold improvements	56,547	56,547
	281,154	281,154
Less accumulated depreciation and amortization	(261,138)	(236,238)
	$ 20,016	**$ 44,916**

F. Investments In Joint Ventures

HFH WDC participates in New Markets Tax Credit (NMTC) programs. NMTC programs were originally established as part of the Community Renewal Tax Relief Act of 2000 and the law covering NMTC programs was most recently extended until December 2019. The goal of NMTC programs is to spur revitalization efforts of low-income and impoverished communities across the United States and its Territories by providing tax credit incentives to investors in certified community development entities. The tax credit for investors equals 39% of the investment, and investors receive the tax credit over a seven-year period. A community development entity (CDE) is required to participate and has the primary mission of providing financing for revitalization projects in low-income communities. NMTC financing allows organizations to receive low-interest loans or investment capital from CDEs, primarily financial institutions, which will allow their investors to receive tax credits. As a result of participation in NMTC programs, HFH WDC obtained the low-interest loans described in Note G.

HFHI-SA Leverage III, LLC (the LLC): During the year ended June 30, 2009, HFH WDC and five other Habitat affiliates formed HFHI-SA Leverage III, LLC (the LLC). HFH WDC's initial investment in the joint venture totaled $2,648,300 and HFH WDC owned 15.1175% of the LLC. Because it owned less than 20%, HFH WDC recorded its investment in the LLC on the cost basis. Effective December 1, 2016, the NMTC statutory compliance period ended and the related note payable was forgiven and cancelled. Therefore, HFH WDC wrote off its investment in the LLC and the related note payable and debt issuance costs during the year ended June 30, 2017.

Mannitat Leverage Lender, LLC (Mannitat): During the year ended June 30, 2017, HFH WDC and Manna, Inc. formed Mannitat Leverage Lender, LLC (Mannitat). HFHWDC's initial investment in the joint venture consisted of a contribution of construction in progress plus cash totaling $404,178 such that HFH WDC owns 50% of Mannitat. Because HFH WDC does not have the ability to exercise undue influence over Mannitat, management determined that consolidated financial statements including both HFH WDC and Mannitat are not required to be presented which is in accordance with accounting principles generally accepted in the United States of America. Therefore, HFH WDC recorded its investment in Mannitat using the equity method.

Investments in joint ventures consisted of the following as of and for the years ended June 30,:

	2017	2016
Investments in joint ventures, beginning of year	$ 2,474,955	$ 2,501,343
Cash distribution from the LLC	(13,266)	(26,388)
Write off investment in the LLC	(2,461,689)	-
Capital contributions to Mannitat	404,178	-
Investments in joint ventures, end of year	**$ 404,178**	**$ 2,474,955**

G. Notes Payable

HFH WDC has financed the acquisition or construction of various housing properties through several notes payable from various lenders such as financial institutions, the international affiliate, and other sources.

New Markets Tax Credit (NMTC) programs: During the year ended June 30, 2009, HFH WDC obtained a NMTC loan of $3,247,478 payable to City First Capital 21, LLC, which is a certified community development entity. The loan proceeds were to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. Semi-annual payments of interest only were required for the first seven years. Beginning December 1, 2016, principal and interest payments would have been due based on an eight-year loan amortization. The stated interest rate was 0.8126% and the loan was scheduled to mature on November 5, 2024. In connection with the loan, HFH WDC also incurred debt issuance costs of $128,960 which were capitalized and amortized over the term of the loan. Debt issuance costs, net of accumulated amortization, have been presented as a reduction of the current portion of notes payable at June 30, 2016. HFH WDC was in compliance with the terms of this NMTC loan, including loan covenants.

Effective December 1, 2016, the NMTC statutory compliance period ended and the related note payable of $3,247,478 was forgiven and cancelled. Therefore, HFH WDC wrote off the note payable, including the related investment in joint venture and debt issuance costs, during the year ended June 30, 2017. As a result, HFH WDC recorded a gain on forgiveness of NMTC loan totaling $728,198 during the year ended June 30, 2017.

During the year ended June 30, 2017, HFH WDC obtained four NMTC loans totaling $6,000,000 payable to Jubilee Manna Sub-CDE I, LLC, which is a certified community development entity. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. Monthly payments of interest only are required for the first seven years. Beginning August 15, 2016, principal and interest payments for all four NMTC loans will be due based on the loan amortization schedule for each of the four notes payable. The stated interest rate for the four NMTC loans is 5.133%. The following table summarizes the maturity date and amount for each of the four NMTC loans:

Note A (January 19, 2046)	$ 1,367,650
Note B (July 13, 2046)	723,076
Note C (January 19, 2024)	2,648,350
Note D (July 13, 2046)	1,260,924
	$ 6,000,000

In connection with the loans, HFH WDC also incurred debt issuance costs totaling $709,322 ($474,785 for Note A and Note C and $234,547 for Note B and Note D). Debt issuance costs related to Note A and Note C will be amortized over 7.5 years and debt issuance costs related to Note B and Note D will be amortized over 30 years. Debt issuance costs, net of accumulated amortization, have been presented as a reduction of notes payable at June 30, 2017. HFH WDC was in compliance with the terms of the four NMTC loans, including loan covenants.

G. NOTES PAYABLE – CONTINUED

Pentagon Federal Credit Union (Pen Fed): During the year ended June 30, 2016, HFH WDC obtained a $128,000 acquisition loan from Pentagon Federal Credit Union (Pen Fed) for 46th Street. Advances under the acquisition loan incur interest at a variable rate equal to the Wall Street Journal prime rate plus 1% (initially set at 4.25%). The loan was secured by the property at 46th Street and beginning on the 9th day of the month following the initial disbursement, monthly interest only payments were due and the entire outstanding loan balance was scheduled to mature on January 31, 2024. During the year ended June 30, 2017, HFH WDC paid the entire balance due on the loan so that the note payable was $0 and $128,000 at June 30, 2017 and 2016, respectively.

HFH WDC has an acquisition loan from Pen Fed with a maximum draw of $1,302,720. The loan was used to finance the construction of twelve units of affordable residential housing. Advances under the acquisition loan incurred interest at a variable rate equal to the Wall Street Journal prime rate plus 1% and monthly interest only payments are required. The loan is secured by the related acquired properties and will mature in September 2025. The balance due on the note payable was $1,085,100 and $913,100 at June 30, 2017 and 2016, respectively.

International affiliate: HFH WDC has three loans from its international affiliate which have various payment terms, interest rates, and maturity dates. One of the international affiliate loans for $7,500 was non-interest bearing. During the year ended June 30, 2017, HFH WDC paid the entire balance due on the loan so that the note payable was $0 and $7,500 at June 30, 2017 and 2016, respectively. Two of the international affiliate loans have stated interest rates of 4.75% and 4.00%, maturity dates of December 31, 2024 and September 30, 2025, and are secured by the related mortgages receivable. The aggregate balance due on the two secured interest-bearing international affiliate loans was $908,706 and $1,003,354 at June 30, 2017 and 2016, respectively. HFH WDC was in compliance with the international affiliate loan covenants at June 30, 2017 and 2016.

Institute for Community Economics (ICE): HFH WDC had an acquisition loan from ICE with a maximum draw of $556,500. The loan was used to finance the construction of affordable housing at 60th Street and was secured by the 60th Street property. The loan was scheduled to mature on the earlier of either the date of closing for the sales of the 60th Street property or September 30, 2016. Advances under the acquisition loan incurred interest at a stated annual rate of 5.50%. During the year ended June 30, 2017, HFH WDC paid the entire balance due on the loan so that the note payable was $0 and $413,342 at June 30, 2017 and 2016, respectively.

City First Enterprises: During the year ended June 30, 2016, HFH WDC obtained a $294,500 pre-development loan from City First Enterprises for the 28th Place property. The loan was secured by the deed of trust related to the 28th Place property and interest was calculated at an annual rate of 6%. The loan was scheduled to mature on September 1, 2016. During the year ended June 30, 2017, HFH WDC paid the entire balance due on the loan so that the note payable was $0 and $294,500 at June 30, 2017 and 2016, respectively.

Forgivable – DC Department of Housing and Community Development (DHCD): During the year ended June 30, 2016, HFH WDC obtained a forgivable loan from DHCD with a maximum draw of $651,900. The loan was used to finance the construction of homes for families in Washington, D.C. who are in need of affordable housing. As homes sales occurred, portions of the loan were forgiven through a prorated assumption of the loan by the buyers of the completed homes. Home buyers assumed portions of the loan equal to $59,264 per home. The balance due on the forgivable loan equaled the drawdowns, net of amounts forgiven. During the year ended June 30, 2017, the remaining balance of the loan was assumed by a home buyer and the debt was forgiven. The balance due on the loan was $0 and $59,260 at June 30, 2017 and 2016, respectively.

G. NOTES PAYABLE – CONTINUED

Local Initiatives Support Corporation (LISC): During the year ended June 30, 2016, HFH WDC obtained a $100,000 loan from LISC for the Ivy City project. As home sales occurred, portions of the loan were repaid in amounts equal to $6,667 per home. During the year ended June 30, 2017, HFH WDC paid the entire balance due on the loan so that the note payable was $0 and $13,331 at June 30, 2017 and 2016, respectively.

Lines-of-credit: HFH WDC had a line-of-credit with a limit of $760,000 through Capital Bank which expired November 2016 and was not renewed. HFH WDC was required to maintain a $260,000 certificate of deposit as collateral. Drawdowns on the line-of-credit totaled $550,000 and $200,000 and payments made on the line-of-credit totaled $550,000 and $750,000 during the years ended June 30, 2017 and 2016, respectively. The balance due on the Capital Bank line-of-credit was $0 at June 30, 2017 and 2016.

During the year ended June 30, 2017, HFH WDC obtained a new line-of-credit with a limit of $1,000,000 through Sandy Spring Bank which expires April 2018. HFH WDC is required to maintain a $250,000 certificate of deposit as collateral. As described in the terms of the line-of-credit agreement, certain other assets of HFH WDC have also been identified as collateral. Drawdowns on the line-of-credit totaled $500,000 during the year ended June 30, 2017. Therefore, the balance due on the Sandy Spring Bank line-of-credit was $500,000 at June 30, 2017.

Notes payable, grouped by lender, consisted of the following at June 30,:

	2017	2016
New Markets Tax Credit programs	$ 6,000,000	$ 3,247,478
Less debt issuance costs, net	(633,368)	(61,173)
	5,366,632	3,186,305
Pentagon Federal Credit Union	1,085,100	1,041,100
International affiliate	908,706	1,010,854
Sandy Spring Bank	500,000	-
Institute for Community Economics	-	413,342
City First Enterprises	-	294,500
DHCD forgivable loan	-	59,260
Local Initiatives Support Corporation	-	13,331
	$ 7,860,438	**$ 6,018,692**

G. Notes Payable – Continued

Future maturities of notes payable and the related amortization of debt issuance costs are as follows:

Year Ending June 30,	Payments of Principal	Debt Issuance Costs	Notes Payable
2018	$ 598,845	$ (75,948)	$ 522,897
2019	103,229	(75,948)	27,281
2020	107,809	(75,948)	31,861
2021	112,594	(75,948)	36,646
2022	117,594	(75,948)	41,646
Thereafter	7,453,735	(253,628)	7,200,107
	$ 8,493,806	**$ (633,368)**	**$ 7,860,438**

H. Net Assets

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. However, HFH WDC has no board designated net assets.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use by HFH WDC has been donor restricted by specified purpose or time limitations. Net assets were released from restrictions by incurring expenses satisfying the donor's restricted purpose or by the removal of a time restriction. Transfers represent satisfaction of either time or purpose restriction but not both.

Temporarily restricted net assets consisted of the following as of and for the year ended June 30, 2017:

	June 30, 2016	Additions	Releases	Transfers	June 30, 2017
Purpose restricted	$ 335,000	$ 218,000	$ (420,000)	$ -	$ 133,000
Time restricted					
Without purpose restriction	1,278,556	141,364	(1,386,247)		33,673
With purpose restriction	60,152		(60,152)		-
	$ 1,673,708	**$ 359,364**	**$ (1,866,399)**	**$ -**	**$ 166,673**

H. NET ASSETS - CONTINUED

Temporarily restricted net assets consisted of the following as of and for the year ended June 30, 2016:

		June 30, 2015		Additions		Releases		Transfers		June 30, 2016
Purpose restricted	$	774,500	$	275,000	$	(775,000)	$	60,500	$	335,000
Time restricted										
Without purpose restriction		47,818		44,900		(47,818)		1,233,656		1,278,556
With purpose restriction		112,000		1,292,308		(50,000)		(1,294,156)		60,152
	$	**934,318**	**$**	**1,612,208**	**$**	**(872,818)**	**$**	**-**	**$**	**1,673,708**

I. IN-KIND CONTRIBUTIONS

Recorded amounts: Donated services are recognized as contributions and expense in accordance with generally accepted accounting principles, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HFH WDC.

Gifts of land, buildings, equipment, or construction materials are capitalized and reported as unrestricted in-kind contributions unless use of the assets are limited by donor-imposed restrictions. From time to time, donors provide in-kind contributions of land but these donated assets are not recorded by HFH WDC until all environmental and feasibility studies have occurred and all right of use issues have been resolved.

In-kind contributions consisted of the following for the years ended June 30,:

		2017		2016
Legal services	$	114,954	$	328,911
Donated materials, equipment, and travel		107,059		20,000
	$	**222,013**	**$**	**348,911**

Unrecorded amounts: HFH WDC relies on contributions of both time and expertise from its pool of volunteers who donate thousands of hours of service, the total value of which cannot be easily calculated or estimated, yet these volunteers contribute significantly to the work, impact, and success of HFH WDC. These volunteer services have not been reflected in the accompanying financial statements because the volunteer services provided do not meet the criteria necessary for recognition under generally accepted accounting principles.

J. Retirement Plan

HFH WDC sponsors a defined contribution 401(k) plan for participants who meet age and length of service requirements. The Plan allows for elective deferrals which may be limited by the Internal Revenue Code. HFH WDC contributes a matching amount to the Plan which is equal to participant salary deferrals. HFH WDC's contributions to the Plan totaled $32,119 and $24,326 for the years ended June 30, 2017 and 2016, respectively.

K. Commitments and Contingencies

Operating leases: HFH WDC leases office space at 2115 Ward Court under an operating lease which expires December 2019. Monthly base rental is $7,277 and the office lease does not require any future escalations in base rentals.

HFH WDC also leases warehouse space which expired in November 2017. While HFH WDC is in the process of renewing the warehouse lease, month-to-month rental payments will be made.

Rent expense relating to the operating leases for office space and warehouse space totaled $132,982 and $132,836 for the years ended June 30, 2017 and 2016, respectively.

Future minimum operating lease payments are as follows:

Year Ending June 30,	Amount
2018	$ 105,410
2019	87,320
2020	43,660
	$ 236,390

Construction contracts: HFH WDC has several construction contracts relating to various construction projects. The estimated combined total commitment under the construction contracts totaled $1,946,789. In relation to these construction contracts, HFH WDC has recorded construction in progress totaling $851,083 at June 30, 2017. Therefore, the remaining commitment on the construction contracts approximates $1,095,706 at June 30, 2017.

L. Subsequent Events

Subsequent events have been evaluated through November 27, 2017, which is the date the financial statements were available to be issued. The following information provides details related to notes payable transactions which were finalized in the subsequent period from July 1, 2017 through November 27, 2017.

DHCD Grant: During September 2017, HFH WDC was selected to be the Administrator for the DC Department of Housing and Community Development (DHCD) FY 2018 Critical Home Repairs Initiative (CHRI). DHCD's preliminary commitment of funds is an amount not to exceed $1,000,000 to be used for the CHRI program from October 1, 2017 through September 30, 2018.

United Bank Loan: During September 2017, HFH WDC obtained a construction loan with a maximum draw of $2,500,000 from United Bank. The loan will be used to finance construction of homes located at Central Place. The loan is scheduled to mature on September 17, 2019 and interest on advances will be calculated using the greater of either 4.23% plus 3.0% or LIBOR plus 3.0%. The loan is secured by the homes under construction at Central Place.

TATE
&
TRYON

A Professional Corporation

Certified Public
Accountants
and Consultants

2021 L Street, NW
Suite 400
WASHINGTON, DC
20036
TELEPHONE
202/293-2200
FACSIMILE
202/293-2208
WWW.TATETRYON.COM

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Habitat for Humanity of Washington, D.C., Inc.

We have audited the financial statements of Habitat for Humanity of Washington, D.C., Inc. (HFH WDC) as of and for the years ended June 30, 2017 and 2016, and our report thereon dated November 27, 2017, which contained an unmodified opinion on those financial statements appears on page one. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on the following page is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Tate & Tryon

Washington, DC
November 27, 2017

Habitat for Humanity of Washington, D.C., Inc.

Statements of Revenue and Expense

Year Ended June 30,	2017	2016	2015	2014	Cumulative
Revenue and support					
Home sales	$ 1,965,885	$ 2,934,002	$ 1,910,300	$ 626,427	**$ 7,436,614**
Contributions	974,114	2,139,335	1,246,663	1,171,537	**5,531,649**
Grants	209,000	157,500	563,462	829,229	**1,759,191**
In-kind contributions	222,013	348,911	266,005	147,837	**984,766**
Gain on forgiveness of NMTC loan	728,198				**728,198**
Other income	6,289	920	1,212	12,961	**21,382**
Total revenue and support	4,105,499	5,580,668	3,987,642	2,787,991	**16,461,800**
Expense					
Program services					
Construction	3,015,146	4,037,636	2,923,448	1,381,288	**11,357,518**
Non construction	723,671	680,411	808,901	674,231	**2,887,214**
Total program services	3,738,817	4,718,047	3,732,349	2,055,519	**14,244,732**
Supporting services					
Fund raising	347,291	329,255	483,311	319,093	**1,478,950**
General and administrative	367,598	310,846	319,831	330,637	**1,328,912**
Total supporting services	714,889	640,101	803,142	649,730	**2,807,862**
Total expense	4,453,706	5,358,148	4,535,491	2,705,249	**17,052,594**
Change in net assets	(348,207)	222,520	(547,849)	82,742	**$ (590,794)**
Net assets, beginning of year	4,523,621	4,301,101	4,848,950	4,766,208	
Net assets, end of year	**$ 4,175,414**	**$ 4,523,621**	**$ 4,301,101**	**$ 4,848,950**	

Management's Discussion and Analysis:

The change in net assets is affected by, and dependent upon, home sales which may vary widely from year to year. As a result, HFH WDC subsidizes this difference by obtaining grants and contributions. The following chart illustrates the ratio, over time, of home sales over the cost of home sales:

Year Ended June 30,	2017	2016	2015	2014	Cumulative
Number of homes sold	7	10	7	2	**26**
Home sales revenue	$ 1,965,885	$ 2,934,002	$ 1,910,300	$ 626,427	**$ 7,436,614**
Cost of home sales expense	$ 1,925,786	$ 2,859,148	$ 1,942,466	$ 560,805	**$ 7,288,205**
Ratio of revenue over expense	102%	103%	98%	112%	**102%**